

LIVINGSTON COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year ended June 30, 2015

LIVINGSTON COUNTY SCHOOL DISTRICT
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KIM HAM

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Livingston County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note O to the financial statements, in 2015 the Livingston County School District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4 through 8 and 40 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston County School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2015, on my consideration of the Livingston County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Livingston County School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 10, 2015

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

As management of the Livingston County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$2,853,809 and the ending balance was \$3,689,345.
- The District had a combined fund balance for all governmental funds on July 1, 2013 of \$2,535,612. The balance increased to \$3,236,469 by June 30, 2014 and increased to \$4,790,164 by June 30, 2015. The combined revenues for all governmental funds increased from FY 14 to FY 15 primarily from an increase in federal grants of approximately \$350,000, tax revenues of \$115,000, and local revenues of \$100,000 during FY 15. Expenditures have fluctuated from year to year. When excluding construction projects financed by bond proceeds, combined expenditures for all governmental funds increased by approximately \$850,000 during FY 15, primarily due to an increase of approximately \$550,000 for instruction, \$100,000 for instructional staff, and \$200,000 for district administration. The net position of the proprietary fund increased from \$245,254 at July 1, 2013 to \$270,100 by June 30, 2014 then increased to \$272,390 by June 30, 2015.
- The district remains committed to increasing administration, teacher, and support staff salaries to that comparable of surrounding districts. A 1% raise was budgeted for the 2014-2015 school year.
- The General Fund had \$11,382,962 in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased from the prior year by about \$250,000, primarily from an increase in tax revenues and on behalf revenues. Excluding interfund transfers, there was \$10,521,941 in General Fund expenditures. Expenditures increased from the prior year by about \$560,000, with increases in all line items other than school administration.
- Instruction, plant operations and maintenance, and student transportation accounted for 74.6% of General Fund expenditures.
- The District experienced a mid-year reduction in SEEK payments from the state (based on the difference between projected vs. final data used in the calculation).
- In facilities management, Livingston County Middle School is undergoing a \$1.6 million renovation made possible by a Qualified Zone Academy bond.
- Liabilities are higher than in previous years. This is due to the requirements of GASB 68, which is more fully discussed in Note G.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 11 through 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 39 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,289,537 as of June 30, 2015. The largest portion of the District’s net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

	Net Position for the period ending	
	June 30, 2015	June 30, 2014
Current Assets	\$ 5,634,335	\$ 3,765,385
Noncurrent Assets	<u>16,688,009</u>	<u>16,134,432</u>
Total Assets	<u>\$22,322,344</u>	<u>\$19,899,817</u>
Deferred Loss from Refunding Bonds	\$ 489,084	\$ 543,427
Contributions subsequent to the measurement date	<u>310,296</u>	<u>0</u>
Total Deferred Outflows of Resources	<u>\$ 799,380</u>	<u>\$ 543,427</u>
Current Liabilities	\$ 1,496,080	\$ 1,124,916
Noncurrent Liabilities	<u>13,078,470</u>	<u>10,065,939</u>
Total Liabilities	<u>\$14,574,550</u>	<u>\$11,190,855</u>
Difference between projected and actual earnings	\$ 257,637	\$ 0
Total Deferred Inflows of Resources	<u>\$ 257,637</u>	<u>\$ 0</u>
Net Investment in capital assets	\$ 6,575,240	\$ 6,362,286
Restricted	<u>579,738</u>	<u>437,168</u>
Unrestricted	<u>1,134,559</u>	<u>2,452,935</u>
Total Net Position	<u>\$ 8,289,537</u>	<u>\$ 9,252,389</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The District’s total general fund revenues for the fiscal year ended June 30, 2015 were \$11,382,962.
- General fund budgeted revenues compared to actual revenue varied from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$1,374,326 more than budget, with most of the difference attributable to higher total local taxes than budgeted.
- The total cost of all general fund programs and services was \$10,521,941, net of interfund transfers.
- General fund budgeted expenditures (excluding contingency) compared to actual expenditures also varied from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted) being \$1,962,452 less than budget. The largest differences from budgeted amounts were in the functions for instruction (\$521,874 less than budget) and district administration (\$1,386,035 less than budget).
- The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments, and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants from the State and totaled \$2,251,586. The revenue and related expense for these on behalf payments are not required to be budgeted.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2015, compared to the fiscal year ended June 30, 2014.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

	June 30, 2015	June 30, 2014
Program Revenues:		
Charges for Services – Food Service	\$ 120,708	\$ 173,607
Charges for Services – Governmental	51,134	19,645
Operating grants – Governmental	4,820,125	4,214,848
Operating grants – Food Service	720,339	685,404
Capital grants	599,597	698,518
Total program revenues	<u>6,311,903</u>	<u>5,792,022</u>
General Revenues:		
Taxes	6,048,694	5,932,958
Earnings on investments	10,081	2,257
State and formula grants	3,389,668	3,506,792
Total general revenues	<u>9,448,443</u>	<u>9,442,007</u>
Total Revenues	<u>15,760,346</u>	<u>15,234,029</u>
Expenses:		
Instruction	8,117,199	7,594,086
Student support services	408,562	342,569
Instructional support	569,941	435,646
District administration	589,250	536,456
School administration	673,755	688,540
Business support	312,294	296,286
Plant operations	1,421,002	1,383,557
Student transportation	1,031,099	1,075,346
Community services	81,978	85,109
Interest on long-term debt	346,449	359,261
Food service operation	838,822	832,500
Loss on disposal of fixed assets	833	3,279
Other	28,314	5,714
Total expenses	<u>14,419,498</u>	<u>13,638,349</u>
Change in net position	1,340,848	1,595,680
Beginning net position	9,252,389	7,656,709
Prior period adjustment	<u>(2,303,700)</u>	<u>0</u>
Ending net position	<u>\$ 8,289,537</u>	<u>\$ 9,252,389</u>

General Fund

The main sources of the General Fund's revenues are state aid in the form of SEEK allocations and locally assessed taxes. State revenue accounted for 49.8% of General Fund revenues, followed by total local taxes at 49.7%, and all other revenues at .5%. The majority of the District's activities are accounted for in the General Fund.

The largest category of General Fund expenditures was for instruction (55.2%), followed by plant operations and maintenance (9.7%), student transportation (9.7%), district administration services (6.4%), school administration services (6.4%), instructional staff support services (5.8%), student support services (3.9%), and business support services (2.9%).

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2015**

Special Revenue Fund

The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants’ guidelines. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation. Livingston County Public Schools received federal grants in the amount of \$1,582,891 and state grants in the amount of \$612,493.

Capital Project Funds

The SEEK Capital Outlay Fund and the FSPK Building Fund are restricted funds for capital projects or debt service. The District has used those funds for debt service payments. The state contributes to those funds. The SEEK Capital Outlay Fund’s revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund’s revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds’ resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

Debt Service Funds

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015, the District had \$16,688,009 invested in land, buildings, and equipment. Of that amount, \$16,621,543 is in governmental activities.

See Note E for a breakdown of additions by class on page 29.

Debt Administration

The District had \$11,330,000 in bonds payable outstanding on June 30, 2015. A total of \$755,000 is due within one year.

See Note F on pages 30-31 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a total budget of \$11,429,307 in the General Fund and Food Service Fund combined and a contingency of \$360,000 which is 3.1%. The beginning fund balance for the fiscal year was \$2,853,809.

Questions regarding this report should be directed to the Superintendent Victor Zimmerman, PO Box 219, 127 East Adair Street, Smithland, KY 42081.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 4,853,069	\$ 178,697	\$ 5,031,766
Accounts receivable:			
Taxes - current	90,650	0	90,650
Taxes - delinquent	4,787	0	4,787
Accounts receivable	19,269	0	19,269
Due from school activity funds	520	0	520
Intergovernmental - indirect federal	388,104	10,499	398,603
Inventory	0	23,145	23,145
Prepaid expenses	65,595	0	65,595
Total current assets	<u>5,421,994</u>	<u>212,341</u>	<u>5,634,335</u>
Noncurrent Assets:			
Capital assets	26,963,982	443,798	27,407,780
Less: Accumulated depreciation	(10,342,439)	(377,332)	(10,719,771)
Total noncurrent assets	<u>16,621,543</u>	<u>66,466</u>	<u>16,688,009</u>
TOTAL ASSETS	<u>\$ 22,043,537</u>	<u>\$ 278,807</u>	<u>\$ 22,322,344</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss from refunding bonds	\$ 706,741	\$ 0	\$ 706,741
Less: Accumulated amortization	(217,657)	0	(217,657)
Contributions subsequent to the measurement date	310,296	0	310,296
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 799,380</u>	<u>\$ 0</u>	<u>\$ 799,380</u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 449,594	\$ 3,827	\$ 453,421
Unearned grant revenue	182,236	0	182,236
Current portion of bond obligations	755,000	0	755,000
Plus: Current portion of bond premium	5,619	0	5,619
Less: Current portion of unamortized bond discount	(4,163)	0	(4,163)
Current portion of KSBIT payable	77,351	0	77,351
Interest payable	26,616	0	26,616
Total current liabilities	<u>1,492,253</u>	<u>3,827</u>	<u>1,496,080</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	10,575,000	0	10,575,000
Plus: Noncurrent portion of unamortized bond premium	44,949	0	44,949
Less: Noncurrent portion of unamortized bond discount	(47,547)	0	(47,547)
Noncurrent portion of KSBIT payable	77,349	0	77,349
Noncurrent portion of accrued sick leave	118,059	2,590	120,649
Net pension liability	2,308,070	0	2,308,070
Total noncurrent liabilities	<u>13,075,880</u>	<u>2,590</u>	<u>13,078,470</u>
TOTAL LIABILITIES	<u>\$ 14,568,133</u>	<u>6,417</u>	<u>\$ 14,574,550</u>
DEFERRED INFLOWS OF RESOURCES:			
Difference between projected and actual earnings	\$ 257,637	\$ 0	\$ 257,637
NET POSITION:			
Net Investment in capital assets	\$ 6,508,774	\$ 66,466	\$ 6,575,240
Restricted for:			
SFCC Escrow	89,578	0	89,578
Capital Projects	284,235	0	284,235
Debt service	1	0	1
Food service	0	205,924	205,924
Unrestricted	1,134,559	0	1,134,559
TOTAL NET POSITION	<u>\$ 8,017,147</u>	<u>\$ 272,390</u>	<u>\$ 8,289,537</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	Net (Expense) Revenue and						
	Program Revenues				Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 8,117,199	\$ 51,134	\$ 3,911,575	\$ 599,597	\$ (3,554,893)	\$ 0	\$ (3,554,893)
Support Services:							
Student	408,562	0	94,840	0	(313,722)	0	(313,722)
Instructional Staff	569,941	0	73,017	0	(496,924)	0	(496,924)
District Administration	589,250	0	41,892	0	(547,358)	0	(547,358)
School Administration	673,755	0	89,824	0	(583,931)	0	(583,931)
Business	312,294	0	98,087	0	(214,207)	0	(214,207)
Plant operations and maintenance	1,421,002	0	56,392	0	(1,364,610)	0	(1,364,610)
Student transportation	1,031,099	0	172,442	0	(858,657)	0	(858,657)
Community service activities	81,978	0	81,709	0	(269)	0	(269)
Loss on disposal of fixed assets	789	0	0	0	(789)	0	(789)
Interest on long-term debt	346,449	0	200,347	0	(146,102)	0	(146,102)
Other debt service	28,314	0	0	0	(28,314)	0	(28,314)
Total governmental activities	13,580,632	51,134	4,820,125	599,597	(8,109,776)	0	(8,109,776)
Business-Type Activities:							
Food service	838,822	120,708	720,339	0	0	2,225	2,225
Loss on disposal of fixed assets	44	0	0	0	0	(44)	(44)
Total business-type activities	838,866	120,708	720,339	0	0	2,181	2,181
Total primary government	\$ 14,419,498	\$ 171,842	\$ 5,540,464	\$ 599,597	(8,109,776)	2,181	(8,107,595)
General Revenues:							
Taxes:							
Property					3,090,001	0	3,090,001
Motor Vehicle					721,939	0	721,939
Utilities					521,622	0	521,622
In Lieu of					1,715,132	0	1,715,132
Earnings on Investments					9,972	109	10,081
State and formula grants					3,389,668	0	3,389,668
Change in net position					1,338,558	2,290	1,340,848
Net position at July 1, 2014					8,982,289	270,100	9,252,389
Prior period adjustment - Note O					(2,303,700)	0	(2,303,700)
Net position at June 30, 2015					\$ 8,017,147	\$ 272,390	\$ 8,289,537

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:					
Cash and cash equivalents	\$ 3,412,781	\$ 0	\$ 1,090,596	\$ 349,692	\$ 4,853,069
Accounts receivable:					
Taxes - current	90,650	0	0	0	90,650
Taxes - delinquent	4,787	0	0	0	4,787
Accounts receivable	19,269	0	0	0	19,269
Due from other funds	189,699	0	0	0	189,699
Due from school activity funds	520	0	0	0	520
Intergovernmental - indirect federal	0	388,104	0	0	388,104
Prepaid expenses	65,595	0	0	0	65,595
TOTAL ASSETS AND RESOURCES	\$ 3,783,301	\$ 388,104	\$ 1,090,596	\$ 349,692	\$ 5,611,693
LIABILITIES AND FUND BALANCE:					
LIABILITIES:					
Accounts payable	\$ 93,956	\$ 16,169	\$ 339,469	\$ 0	\$ 449,594
Due to other funds	0	189,699	0	0	189,699
Unearned grant revenue	0	182,236	0	0	182,236
TOTAL LIABILITIES	93,956	388,104	339,469	0	821,529
FUND BALANCES:					
Nonspendable:					
Prepaid expenses	65,595	0	0	0	65,595
Restricted:					
KSFCC escrow	0	0	0	89,578	89,578
Construction projects	0	0	751,127	0	751,127
Debt service	0	0	0	260,114	260,114
Unassigned	3,623,750	0	0	0	3,623,750
TOTAL FUND BALANCES	3,689,345	0	751,127	349,692	4,790,164
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,783,301	\$ 388,104	\$ 1,090,596	\$ 349,692	\$ 5,611,693

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**
June 30, 2015

Total fund balance per fund financial statements \$ 4,790,164

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost	\$ 26,963,982	
Accumulated depreciation	<u>(10,342,439)</u>	16,621,543

Deferred outflows that are not financial resources and therefore are not reported as assets in the governmental funds balance sheet

Deferred loss from refunding bonds	489,084	
Contributions subsequent to the measurement date	<u>310,296</u>	799,380

Deferred inflows that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Difference between projected and actual earnings		(257,637)
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Certain liabilities are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net position.

Interest payable	(26,616)	
Net pension liability	<u>(2,308,070)</u>	(2,334,686)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bond and lease obligations	(11,328,858)	
KSBIT payable	(154,700)	
Accrued sick leave payable	<u>(118,059)</u>	<u>(11,601,617)</u>

Net position of governmental activities		<u><u>\$ 8,017,147</u></u>
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See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
From Local Sources:					
Taxes:					
Property	\$ 2,717,267	\$ 0	\$ 0	\$ 372,734	\$ 3,090,001
Motor Vehicle	721,939	0	0	0	721,939
Utilities	521,622	0	0	0	521,622
In Lieu of	1,697,617	0	0	0	1,697,617
Tuition	11,050	0	0	0	11,050
Earnings on Investments	5,067	0	473	4,432	9,972
Other local revenues	12,675	163,261	0	0	175,936
Intergovernmental - State	5,668,316	612,493	0	693,532	6,974,341
Intergovernmental - indirect federal	27,409	1,582,891	0	0	1,610,300
Intergovernmental - direct federal	0	0	0	103,175	103,175
TOTAL REVENUES	11,382,962	2,358,645	473	1,173,873	14,915,953
EXPENDITURES:					
Current:					
Instruction	5,806,198	2,281,837	0	0	8,088,035
Support Services:					
Student	408,374	0	0	0	408,374
Instructional Staff	605,005	0	0	0	605,005
District Administration	678,650	0	0	0	678,650
School Administration	671,469	0	0	0	671,469
Business	308,470	0	0	0	308,470
Plant operations and maintenance	1,024,244	0	0	0	1,024,244
Student transportation	1,019,531	20,584	0	0	1,040,115
Community service activities	0	81,709	0	0	81,709
Facilities acquisition and construction	0	0	1,023,685	0	1,023,685
Debt service	0	0	0	993,902	993,902
TOTAL EXPENDITURES	10,521,941	2,384,130	1,023,685	993,902	14,923,658
Excess (deficit) of revenues over expenditures	861,021	(25,485)	(1,023,212)	179,971	(7,705)
OTHER FINANCING SOURCES (USES):					
Proceeds of revenue bonds	0	0	1,561,400	0	1,561,400
Operating transfers in	0	25,485	212,939	558,635	797,059
Operating transfers out	(25,485)	0	(167,410)	(604,164)	(797,059)
TOTAL OTHER FINANCING SOURCES (USES)	(25,485)	25,485	1,606,929	(45,529)	1,561,400
Net change in fund balance	835,536	0	583,717	134,442	1,553,695
Fund Balance, July 1, 2014	2,853,809	0	167,410	215,250	3,236,469
Fund Balance, June 30, 2015	\$ 3,689,345	\$ 0	\$ 751,127	\$ 349,692	\$ 4,790,164

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Net change in total governmental fund balances per fund financial statements	\$ 1,553,695
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense is exceeded by capital outlays for the year.

Depreciation expense	(630,415)	
Capital outlays	<u>1,205,336</u>	574,921

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Loss on the disposal of fixed assets	<u>(789)</u>	(789)
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Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Bond proceeds	(1,561,400)	
Bond principal paid	705,000	
Note principal paid	<u>75,557</u>	(780,843)

Governmental funds report the effect of gains, losses, and discounts when debt is first issued; whereas, these amounts are amortized in the statement of activities.

Bond issue costs	(22,600)	
Amortization of bond discounts	(11,333)	
Amortization of bond premium	5,619	
Amortization of deferred loss on early retirement of debt	<u>(54,343)</u>	(82,657)

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	(3,204)	
Pension expense	48,289	
Accrued sick leave	<u>29,146</u>	<u>74,231</u>

Change in net position of governmental activities	<u><u>\$ 1,338,558</u></u>
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See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Food Service Fund
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 178,697
Inventory	23,145
Accounts receivable:	
Intergovernmental - indirect federal	10,499
Total current assets	<u>212,341</u>
Noncurrent Assets	
Capital assets	443,798
Less: accumulated depreciation	<u>(377,332)</u>
Total noncurrent assets	<u>66,466</u>
TOTAL ASSETS	<u><u>\$ 278,807</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	<u>\$ 3,827</u>
Total current liabilities	<u>3,827</u>
Noncurrent Liabilities	
Noncurrent portion of accrued sick leave	<u>2,590</u>
Total noncurrent liabilities	<u>2,590</u>
TOTAL LIABILITIES	<u><u>\$ 6,417</u></u>
Net Position	
Net investment in capital assets	\$ 66,466
Restricted for food service	<u>205,924</u>
Total net position	<u><u>\$ 272,390</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Food Service Fund
Operating Revenues:	
Lunchroom sales	\$ 120,624
Other operating revenues	84
Total operating revenues	<u>120,708</u>
Operating Expenses:	
Salaries and benefits	364,406
Contract services	25,250
Materials and supplies	426,309
Depreciation	20,511
Other operating expenses	2,346
Total operating expenses	<u>838,822</u>
Operating income (loss)	<u>(718,114)</u>
Non-Operating Revenues (Expenses):	
Federal grants	640,994
Donated commodities	35,318
State grants	44,027
Interest income	109
Loss on disposal of assets	(44)
Total non-operating revenues	<u>720,404</u>
Change in net position	2,290
Net Position, July 1, 2014	<u>270,100</u>
Net Position, June 30, 2015	<u><u>\$ 272,390</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 120,624
Other operating revenues	84
Cash paid to/for:	
Employees	(344,375)
Contract services	(24,435)
Materials and supplies	(386,062)
Other operating expenses	(2,346)
Net cash provided by (used in) operating activities	(636,510)
Cash Flows from Non-Capital Financing Activities:	
Operating grants received	704,422
Net cash provided by (used in) non-capital financing activities	704,422
Cash Flows from Investing Activities:	
Interest income received	109
Net cash provided by (used in) investing activities	109
Net increase (decrease) in cash and cash equivalents	68,021
Cash and cash equivalents, July 1, 2014	110,676
Cash and cash equivalents, June 30, 2015	\$ 178,697
Reconciliation of operating income (loss)	
to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (718,114)
Adjustments to reconcile operating income (loss) to	
net cash provided by (used in) operating activities:	
Depreciation	20,511
On-behalf payments	36,617
Commodities used	35,318
Changes in assets and liabilities:	
Inventory	3,483
Accounts payable	2,261
Accrued sick leave	(16,586)
Net cash provided by (used in) operating activities	\$ (636,510)
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 35,318
On-behalf payments	36,617
Total Non-Cash Investing, Capital, and Financing Activities	\$ 71,935

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 137,726	\$ 156,641
Accounts receivable	<u>0</u>	<u>108</u>
 Total Assets	<u><u>\$ 137,726</u></u>	<u><u>\$ 156,749</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 6,696
Due to Board General Fund	0	520
Due to student groups	<u>0</u>	<u>149,533</u>
 Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 156,749</u></u>
 NET POSITION HELD IN TRUST	<u><u>\$ 137,726</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	\$ 634
	<u> </u>
Total Additions	<u> 634</u>
Deductions:	
Benefits paid	<u> 4,450</u>
	<u> </u>
Total Deductions	<u> 4,450</u>
Change in net position	(3,816)
Net position, July 1, 2014	<u> 141,542</u>
Net position, June 30, 2015	<u><u> \$ 137,726</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2015

NOTE A – REPORTING ENTITY

The Livingston County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Livingston County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Livingston County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Livingston County School District Finance Corporation – In 1989, the Livingston County Board of Education resolved to authorize the establishment of the Livingston County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The board members of the Livingston County Board of Education also comprise the Corporation's Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b) Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.
- c) Funds may be reported as a major fund if the District considers them significant to the users of the financial statements.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 54. The Kentucky Department of Education has deemed this fund always be classified as a major fund.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$35,318 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2015, to finance operations were \$.452 per \$100 valuation for real property, \$.452 per \$100 valuation for business personal property and \$.452 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2015 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid items at June 30, 2015 consisted of property, workers' compensation, and performance bonds paid during the fiscal year ended June 30, 2015 that included coverage for periods beyond June 30, 2015.

Debt Costs

Unamortized discounts of \$51,710, and unamortized premiums of \$50,568 are included in the government-wide statements. Discounts and premiums are amortized over the lives of the related debt issues using the straight-line method.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July, 2012 meeting, the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property. Larger thresholds apply to buildings and building improvements and leasehold improvements. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position includes all other net position that does not meet the definition of restricted or net investment in capital assets.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Restricted Resources

When an expense is incurred for which there are both restricted and unrestricted net position available, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Impact of Recently Issued Accounting Pronouncements

In June, 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions*. GASB 68 revised and established new financial reporting requirements for most governments that provide their employees with pension benefits. With the implementation of GASB Statement 68, employers are required to recognize a liability as employees earn their pension benefits (that is, as they provide services to the government). Employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan. The provisions of this Statement became effective for financial statements for periods that began after June 15, 2014, which was the fiscal year ended June 30, 2015.

In November, 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB 71 amended a portion of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of GASB 68; therefore it also became effective for the fiscal year ended June 30, 2015.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are re-appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying required supplementary information. Encumbrances are considered a managerial assignment of fund balance at June 30, 2015.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 10, 2015, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's cash and cash equivalents was \$5,326,133. The bank balance was \$5,605,203. Of the bank balance, \$668,505 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$4,936,698 was uninsured and collateralized with securities held by the pledging banks' agent, in the District's name.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2015

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

Governmental Activities	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital Assets:				
Land	\$ 263,559	\$ 0	\$ 0	\$ 263,559
Land improvements	794,134	0	0	794,134
Buildings and improvements	17,474,645	3,346,118	0	20,820,763
Technology equipment	1,130,647	83,777	37,263	1,177,161
Vehicles	2,227,328	87,879	0	2,315,207
General Equipment	488,655	9,995	0	498,650
Construction	3,416,941	1,023,685	3,346,118	1,094,508
Totals at historical cost	<u>25,795,909</u>	<u>4,551,454</u>	<u>3,383,381</u>	<u>26,963,982</u>
Less: Accumulated depreciation				
Land improvements	508,239	29,587	0	537,826
Buildings and improvements	6,152,569	368,873	0	6,521,442
Technology equipment	931,962	104,741	36,474	1,000,229
Vehicles	1,825,516	101,905	0	1,927,421
General Equipment	330,212	25,309	0	355,521
Total accumulated depreciation	<u>9,748,498</u>	<u>630,415</u>	<u>36,474</u>	<u>10,342,439</u>
Governmental Activities Capital Assets - Net	<u>\$ 16,047,411</u>	<u>\$ 3,921,039</u>	<u>\$ 3,346,907</u>	<u>\$ 16,621,543</u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 5,551	\$ 0	\$ 528	\$ 5,023
General Equipment	438,775	0	0	438,775
Totals at historical cost	<u>444,326</u>	<u>0</u>	<u>528</u>	<u>443,798</u>
Less: Accumulated depreciation				
Technology equipment	2,898	1,048	484	3,462
General Equipment	354,407	19,463	0	373,870
Total accumulated depreciation	<u>357,305</u>	<u>20,511</u>	<u>484</u>	<u>377,332</u>
Business-Type Activities Capital Assets - Net	<u>\$ 87,021</u>	<u>\$ (20,511)</u>	<u>\$ 44</u>	<u>\$ 66,466</u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 95,884
Student support services	2,674
Instructional staff support services	2,357
District administration	16,201
School administrative support	6,347
Business support	8,772
Plant operation and maintenance	404,484
Student transportation	93,427
Community services	269
Total depreciation expense	<u>\$ 630,415</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE F – GENERAL LONG-TERM OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Livingston County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Livingston County School District Finance Corporation to construct school facilities. The District has the option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises will become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

Following is a schedule of obligations existing at June 30, 2015:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
June 1, 2009	June 1, 2019	2.000% - 3.000%	\$ 495,000
February 1, 2012	June 1, 2024	1.000% - 2.500%	6,055,000
December 11, 2012	December 1, 2032	3.500%	3,180,000
September 1, 2014	September 1, 2034	1.000%	1,600,000
			<u>\$ 11,330,000</u>

In 1987 the District entered into a "participation agreement" with the Kentucky School Facilities Construction Commission (the "Commission"). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The Commission will remit a stated amount of bond principal and interest payments annually, subject to biennial approval by the Kentucky General Assembly. Should approval not be received in future periods, the District remains obligated for the full amount of the bond principal and interest payments. Therefore, the liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

In February, 2012, the District issued bonds to advance refund a portion of the outstanding 2003 School Building Revenue bonds that were scheduled to mature on or after June 1, 2013 and a portion of the outstanding 2004 School Building Revenue bonds that were scheduled to mature on or after June 1, 2014. The defeased bonds were paid during the prior year. In the Statement of Net Position, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds, which is thirteen years for the portion relating to the 2003 issue and twelve years for the portion relating to the 2004 issue. The amount deferred is reported as a deferred outflow of resources. Total deferred costs were \$706,741. Amortization for the year was \$54,343 and is included as a component of interest expense.

On December 11, 2012, the District issued \$3,180,000 in Qualified Zone Academy Bonds which are tax credit bonds pursuant to Section 54 of the Internal Revenue Code, to finance capital projects at Livingston County High School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual sinking fund payments to be held in escrow at US Bank. Such payments will be held in trust and invested at an interest rate of 2.297% in accordance with the funding agreement. The final semi-annual payment is due December 1, 2032, at which time the bond will mature and the principal will be paid in full from the escrow account. The District is scheduled to receive a direct subsidy from the federal government on each interest payment date for its interest costs, although federal budget cuts have and could reduce interest payment received. The interest subsidy payments are included in interest expense on the financial statements. These payments are disclosed on the following page.

In September, 2014, the District issued \$1,600,000 in taxable Qualified Zone Academy bonds to finance capital projects at Livingston County Middle School. The District and the Kentucky School Facility Construction Commission are required to make semi-annual payments of principal and interest, with the final payment due September 1, 2034.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE F – GENERAL LONG-TERM OBLIGATIONS – CONTINUED

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2015 for debt service (principal and interest) are as follows:

Year	Livingston County School District			Kentucky School Facility Construction Commission		
	Principal	Interest	Federal Subsidy	Principal	Interest	Total
2015-2016	\$ 344,128	\$ 184,804	\$ (111,300)	\$ 410,872	\$ 86,304	\$ 914,808
2016-2017	356,197	176,765	(111,300)	418,803	78,372	918,837
2017-2018	363,109	168,402	(111,300)	426,891	70,285	917,387
2018-2019	369,863	159,898	(111,300)	435,137	62,039	915,637
2019-2020	386,455	151,206	(111,300)	443,545	53,631	923,537
2020-2021	402,882	143,454	(111,300)	452,118	45,058	932,212
2021-2022	408,087	134,451	(111,300)	461,913	35,262	928,413
2022-2023	203,073	125,326	(111,300)	471,927	25,249	714,275
2023-2024	68,850	120,485	(111,300)	481,150	15,015	574,200
2024-2025	68,536	119,799	(111,300)	31,464	3,452	111,951
2025-2026	73,220	119,090	(111,300)	31,780	3,135	115,925
2026-2027	72,901	118,359	(111,300)	32,099	2,816	114,875
2027-2028	72,578	117,632	(111,300)	32,422	2,493	113,825
2028-2029	72,252	116,908	(111,300)	32,748	2,168	112,776
2029-2030	76,923	116,162	(111,300)	33,077	1,838	116,700
2030-2031	76,591	115,394	(111,300)	33,409	1,506	115,600
2031-2032	76,255	114,630	(111,300)	33,745	1,170	114,500
2032-2033	830,114	58,194	(55,650)	2,464,886	831	3,298,375
2033-2034	105,573	1,612	0	34,427	488	142,100
2034-2035	108,376	542	0	31,624	158	140,700
	<u>\$ 4,535,963</u>	<u>\$ 2,363,113</u>	<u>\$ (1,947,750)</u>	<u>\$ 6,794,037</u>	<u>\$ 491,270</u>	<u>\$ 12,236,633</u>

The District has an installment payment agreement with the Kentucky Department of Insurance to finance an assessment for workers compensation in the amount of \$110,305 and property and liability in the amount of \$119,952. The District agreed to pay 25% of the workers compensation assessment (\$27,576) and 40% of the property and liability assessment (\$47,981) by August 31, 2014 and September 15, 2014, respectively, and the remainder was to be paid in equal annual installments of \$77,350 over the following two fiscal years. The agreement does not bear interest, unless payments are not made when due. In the event a payment is not paid when due, the past due payment will accrue interest at 12% until paid. At June 30, 2015, the District owed \$154,700 on this agreement.

Interest expense paid for fiscal year ended June 30, 2015 was \$288,903 including \$103,175 in federal subsidy payments on the 2012 Qualified Zone Academy Bonds.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015	Due Within One Year
Bonds payable	\$ 10,435,000	\$ 1,600,000	\$ 705,000	\$ 11,330,000	\$ 755,000
Less: Unamortized discounts	(47,043)	(16,000)	(11,333)	(51,710)	(4,163)
Unamortized premiums	56,187	0	5,619	50,568	5,619
KSBIT payable	230,257	0	75,557	154,700	77,351
Sick leave	148,439	43,553	73,933	118,059	0
Net pension liability	2,612,000	0	303,930	2,308,070	0
Totals	<u>\$ 13,434,840</u>	<u>\$ 1,627,553</u>	<u>\$ 1,152,706</u>	<u>\$ 13,909,687</u>	<u>\$ 833,807</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General Information About the County Employees Retirement System Non-Hazardous ("CERS")

Plan Description - Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits Provided - CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions - Required contributions by the employee are based on the tier:

	<u>Required contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS - CONTINUED

General Information About the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan Description - Teaching certified employees of the District and other employees whose position require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS) - a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits Provided - For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions - Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

Medical Insurance Plan

Plan Description - In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding Policy - In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	\$ 2,308,070
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	<u>37,415,517</u>
	<u>\$ 39,723,587</u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was .071141% of the total liability of CERS.

For the year ended June 30, 2015, the District recognized pension expense of \$262,007 related to CERS and \$881,707 related to KTRS. The District also recognized revenue of \$881,707 for KTRS support provided by the Commonwealth. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 257,637
District contributions subsequent to the measurement date	<u>310,296</u>	<u>0</u>
Total	<u>\$ 310,296</u>	<u>\$ 257,637</u>

\$310,296 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2016	\$51,527
2017	51,527
2018	51,527
2019	51,528
2020	51,528

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>CERS</u>	<u>KTRS</u>
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.75%	7.50%

For CERS, mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of one year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008 is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE G – RETIREMENT PLANS – CONTINUED

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	<u>100.0%</u>	

Discount Rate - For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of the net pension liability to changes in the discount rate - The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	\$3,037,282	\$2,308,070	\$1,663,817
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	\$0	\$0	\$0

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2015:

Contributions to Kentucky Teachers' Retirement System	\$ 881,707
Technology	49,775
SFCC Debt Service	562,384
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>1,356,721</u>
Total	\$ <u>2,850,587</u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 1,654,021
Support services:	
Student	94,840
Instructional staff	73,017
District administration	41,892
School administration	89,824
Business	98,087
Plant operations and maintenance	56,392
Student transportation	143,513
Debt service	562,384
Food service	<u>36,617</u>
Total	\$ <u>2,850,587</u>

NOTE I – COMMITMENTS AND CONTINGENCIES

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

In addition, the District operates in a heavily regulated environment. The operations of the District are subject to the administrative directives, rules and regulations of federal and state regulatory agencies, including, but not limited to, the U.S. Department of Education and the Kentucky Department of Education. Such administrative directives, rules and regulations are subject to change by an act of Congress of the Kentucky Legislature or an administrative change mandated by the Kentucky Department of Education. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional burden to comply with a change.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE J – INSURANCE AND RISK MANAGEMENT

The District is exposed to various risks of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated including workers' compensation insurance. Premiums for these policies are based upon the District's experience to date.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K – COBRA

Under the *Consolidated Omnibus Reconciliation Act* ("COBRA"), employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

NOTE L – COMMITMENTS FOR SCHOOL CONSTRUCTION

During the fiscal year ended June 30, 2013, the District approved a contract with an architect for services related to major renovations at the middle school. The amount of the contract with the architect, including additions due to change orders, was \$140,962. As of the balance sheet date, \$119,872 had been paid toward this contract. During the fiscal year ended June 30, 2014, the District approved a BG-1 form and a contract with a construction company for this project. The amount of the contract with the construction company, including additions due to change orders, was \$1,420,130. As of the balance sheet date, \$958,028 had been paid toward this contract. The remaining amount of \$462,102 will be paid as construction is completed.

NOTE M – TRANSFER OF FUNDS

Although each fund is its own distinct reporting entity, amounts may be transferred from one fund to another fund. The most common reasons for interfund transfers are for debt service payments and grant matching requirements. Interfund transfers are eliminated in the government-wide financial statements. The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 25,485
Operating	Capital Outlay	Debt Service	Debt Service	147,336
Operating	Building	Debt Service	Debt Service	411,293
Operating	Building	Construction	Capital funds request	45,529
Operating	Construction	Construction	LCHS to LCMS project	167,410
Operating	Debt service	Building	Close bond trust	6

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2015

NOTE N – INTERFUND RECEIVABLES AND PAYABLES

Each fund is a separate fiscal and accounting entity, and thus interfund transactions are recorded in each fund affected by a transaction. Interfund receivables and payables for the District arise generally from disbursements being made from a checking account that is used for the general fund, special revenue fund, capital projects funds, food service funds, and private purpose trust funds. When payments are made from the checking account, the amount reduces cash in the general fund, which may not have the legal liability for the expenditures; thus an interfund payable from the fund having the legal liability is established at such time, with a corresponding interfund receivable recorded in the general fund. Typically, interfund receivables and payables are resolved monthly; however, certain balances remained at June 30, 2015, which consisted of the following individual fund receivables and payables:

	<u>Receivables</u>	<u>Payables</u>
General Fund:		
Special Revenue Fund	\$ 189,699	\$ 0
Agency Fund	520	0
Special Revenue Fund:		
General Fund	0	189,699
Agency Fund:		
General Fund	0	520

NOTE O – CHANGE IN ACCOUNTING PRINCIPLE AND RELATED CHANGES TO CERTAIN BEGINNING BALANCES

Effective July 1, 2014 the District was required to adopt Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment to the beginning net position was as follows:

Net Position, Beginning of Year, as Originally Stated	\$ 8,982,289
Adjustments for Prior Period:	
Proportionate share of net pension liability	(2,612,000)
Deferred outflows	<u>308,300</u>
Net Position, Beginning of Year, as Restated	<u>\$ 6,678,589</u>

REQUIRED SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 2,210,000	\$ 2,210,000	\$ 2,717,267	\$ 507,267
Motor Vehicle	525,000	525,000	721,939	196,939
Utilities	470,000	470,000	521,622	51,622
In Lieu of	1,000,000	1,000,000	1,697,617	697,617
Tuition	2,300	11,050	11,050	0
Earnings on Investments	0	0	5,067	5,067
Other local revenues	0	0	12,675	12,675
Intergovernmental - State	3,537,000	3,537,000	5,668,316	2,131,316
Intergovernmental - indirect federal	4,000	4,000	27,409	23,409
TOTAL REVENUES	<u>7,748,300</u>	<u>7,757,050</u>	<u>11,382,962</u>	<u>3,625,912</u>
EXPENDITURES:				
Current:				
Instruction	4,550,026	4,674,051	5,806,198	(1,132,147)
Support Services:				
Student	319,020	319,020	408,374	(89,354)
Instructional Staff	537,321	548,696	605,005	(56,309)
District Administration	1,795,603	2,022,793	678,650	1,344,143
School Administration	618,235	621,940	671,469	(49,529)
Business	210,290	224,790	308,470	(83,680)
Plant operations and maintenance	858,687	861,737	1,024,244	(162,507)
Student transportation	891,380	959,780	1,019,531	(59,751)
Contingency	360,000	360,000	0	360,000
TOTAL EXPENDITURES	<u>10,140,562</u>	<u>10,592,807</u>	<u>10,521,941</u>	<u>70,866</u>
Excess (deficit) of revenues over expenditures	<u>(2,392,262)</u>	<u>(2,835,757)</u>	<u>861,021</u>	<u>3,696,778</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	0	(18,052)	(25,485)	(7,433)
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>(18,052)</u>	<u>(25,485)</u>	<u>(7,433)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(2,392,262)</u>	<u>(2,853,809)</u>	<u>835,536</u>	<u>3,689,345</u>
Fund Balance, July 1, 2014	<u>2,392,262</u>	<u>2,853,809</u>	<u>2,853,809</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,689,345</u>	<u>\$ 3,689,345</u>

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$2,251,586 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Other local revenues	\$ 15,840	\$ 57,191	\$ 163,261	\$ 106,070
Intergovernmental - State	426,490	484,693	612,493	127,800
Intergovernmental - Indirect federal	713,966	1,273,195	1,582,891	309,696
TOTAL REVENUES	<u>1,156,296</u>	<u>1,815,079</u>	<u>2,358,645</u>	<u>543,566</u>
EXPENDITURES:				
Current:				
Instruction	1,078,594	1,753,651	2,281,837	(528,186)
Support Services:				
Student transportation	0	0	20,584	(20,584)
Community service activities	77,702	79,480	81,709	(2,229)
TOTAL EXPENDITURES	<u>1,156,296</u>	<u>1,833,131</u>	<u>2,384,130</u>	<u>(550,999)</u>
Excess (deficit) of revenues over expenditures	<u>0</u>	<u>(18,052)</u>	<u>(25,485)</u>	<u>(7,433)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	18,052	25,485	7,433
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>18,052</u>	<u>25,485</u>	<u>7,433</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	0	0	0
Fund Balance, July 1, 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST FISCAL YEAR***

	<u>2015</u>
Employer's proportion of the net pension liability (asset)	0.071141%
Employer's proportionate share of the net pension liability (asset)	\$ 2,308,070
Employer's covered-employee payroll	\$ 1,749,365
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	131.94%
Plan fiduciary net position as a percentage of the total pension liability	66.80%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is based on the last measurement date of the net pension liability.

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS)
LAST FISCAL YEAR***

	<u>2015</u>
Commonwealth's proportion of the net pension liability (asset)	0.182100%
Commonwealth's proportionate share of the net pension liability (asset) associated with the District	\$ 37,415,517
District's covered-employee payroll	\$ 5,839,750
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	640.70%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

* The amounts presented for each fiscal year were determined as of June 30 of the prior year. Until a full ten year trend is compiled, governments will present information only for those years for which information is available.

NOTE: This schedule is based on the last measurement date of the net pension liability.

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM (CERS)
LAST TEN FISCAL YEARS***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 310,296	\$ 307,605	\$ 311,548
Contributions in relation to the contractually required contribution	<u>310,296</u>	<u>307,605</u>	<u>311,548</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 1,749,365	\$ 1,628,396	\$ 1,593,595
Contributions as a percentage of covered-employee payroll	17.74%	18.89%	19.55%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 348,520	\$ 305,156	\$ 283,970	\$ 232,038	\$ 235,334	\$ 218,802	\$ 171,044
<u>348,520</u>	<u>305,156</u>	<u>283,970</u>	<u>232,038</u>	<u>235,334</u>	<u>218,802</u>	<u>171,044</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$1,845,419	\$1,806,793	\$1,757,235	\$1,710,926	\$1,455,370	\$1,658,848	\$1,557,781
18.89%	16.89%	16.16%	13.56%	16.17%	13.19%	10.98%

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
KENTUCKY TEACHERS RETIREMENT SYSTEM (KTRS)
LAST TEN FISCAL YEARS***

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 793,467	\$ 765,256	\$ 749,276
Contributions in relation to the contractually required contribution	<u>793,467</u>	<u>765,256</u>	<u>749,276</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered-employee payroll	\$ 5,839,750	\$ 5,701,147	\$ 5,633,313
Contributions as a percentage of covered-employee payroll	13.59%	13.42%	13.30%

* The amounts presented for each fiscal year were determined as of June 30.

NOTE: This schedule is determined as of the employer's most recent fiscal year-end.

See Notes to Financial Statements

2012	2011	2010	2009	2008	2007	2006
\$ 786,584	\$ 788,407	\$ 799,360	\$ 778,705	\$ 803,429	\$ 734,097	\$ 720,081
<u>786,584</u>	<u>788,407</u>	<u>799,360</u>	<u>778,705</u>	<u>803,429</u>	<u>734,097</u>	<u>720,081</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$5,932,093	\$6,051,418	\$6,068,496	\$5,933,976	\$6,119,226	\$5,601,772	\$5,502,823
13.26%	13.03%	13.17%	13.12%	13.13%	13.10%	13.09%

OTHER SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS AND RESOURCES:				
Cash and cash equivalents	\$ 89,578	\$ 0	\$ 260,114	\$ 349,692
TOTAL ASSETS AND RESOURCES	<u>\$ 89,578</u>	<u>\$ 0</u>	<u>\$ 260,114</u>	<u>\$ 349,692</u>
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Accounts payable	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EQUITY AND FUND BALANCES:				
Restricted:				
KSFCC escrow	89,578	0	0	89,578
Debt service	<u>0</u>	<u>0</u>	<u>260,114</u>	<u>260,114</u>
TOTAL FUND BALANCES	<u>89,578</u>	<u>0</u>	<u>260,114</u>	<u>349,692</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 89,578</u>	<u>\$ 0</u>	<u>\$ 260,114</u>	<u>\$ 349,692</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	FSPK Fund	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 372,734	\$ 0	\$ 0	\$ 372,734
Earnings on Investments	0	0	4,432	4,432
Intergovernmental - State	24,956	106,192	562,384	693,532
Intergovernmental - Direct federal	103,175	0	0	103,175
TOTAL REVENUES	<u>500,865</u>	<u>106,192</u>	<u>566,816</u>	<u>1,173,873</u>
EXPENDITURES:				
Facilities acquisition and construction	0	0	0	0
Debt service	0	0	993,902	993,902
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>993,902</u>	<u>993,902</u>
Excess (deficit) of revenues over expenditures	<u>500,865</u>	<u>106,192</u>	<u>(427,086)</u>	<u>179,971</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	6	0	558,629	558,635
Operating transfers out	(456,822)	(147,336)	(6)	(604,164)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(456,816)</u>	<u>(147,336)</u>	<u>558,623</u>	<u>(45,529)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>44,049</u>	<u>(41,144)</u>	<u>131,537</u>	<u>134,442</u>
Fund Balance, July 1, 2014	<u>45,529</u>	<u>41,144</u>	<u>128,577</u>	<u>215,250</u>
Fund Balance, June 30, 2015	<u><u>\$ 89,578</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 260,114</u></u>	<u><u>\$ 349,692</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
DEBT SERVICE FUNDS
For the Year Ended June 30, 2015

	2004 BONDS FUND	2009R BONDS FUND	2012R BONDS FUND	2012Q BONDS FUND	2014Q BONDS FUND	Totals Debt service Fund
REVENUES:						
From local sources:						
Earnings on investments	\$ 1	\$ 0	\$ 0	\$ 4,431	\$ 0	\$ 4,432
Intergovernmental - State	309,281	0	152,980	96,989	3,134	562,384
TOTAL REVENUES	309,282	0	152,980	101,420	3,134	566,816
EXPENDITURES:						
Debt Service:						
Principal	495,000	120,000	90,000	0	0	705,000
Interest	20,790	17,970	130,887	111,300	7,955	288,902
TOTAL EXPENDITURES	515,790	137,970	220,887	111,300	7,955	993,902
Excess (deficit) of revenues over expenditures	(206,508)	(137,970)	(67,907)	(9,880)	(4,821)	(427,086)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	206,509	137,970	67,907	141,422	4,821	558,629
Operating transfers out	(6)	0	0	0	0	(6)
TOTAL OTHER FINANCING SOURCES (USES)	206,503	137,970	67,907	141,422	4,821	558,623
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(5)	0	0	131,542	0	131,537
Fund balance July 1, 2014	5	1	0	128,571	0	128,577
Fund balance June 30, 2015	\$ 0	\$ 1	\$ 0	\$ 260,113	\$ 0	\$ 260,114

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET--SCHOOL ACTIVITY FUNDS
June 30, 2015

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston Central High School	Totals (Memorandum Only)
ASSETS:					
Cash and cash equivalents	\$ 5,857	\$ 37,852	\$ 26,900	\$ 86,032	\$ 156,641
Accounts Receivable	108	0	0	0	108
TOTAL ASSETS	\$ 5,965	\$ 37,852	\$ 26,900	\$ 86,032	\$ 156,749
LIABILITIES:					
Accounts Payable	\$ 507	\$ 324	\$ 98	\$ 5,767	\$ 6,696
Due to Board	0	0	520	0	520
Due to Student Groups	5,458	37,528	26,282	80,265	149,533
TOTAL LIABILITIES	\$ 5,965	\$ 37,852	\$ 26,900	\$ 86,032	\$ 156,749
NET POSITION HELD IN TRUST	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS**
SCHOOL ACTIVITY FUNDS
For the Year Ended June 30, 2015

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston County High School	Totals (Memorandum only)
REVENUES:					
From local sources:					
Student activities	<u>\$ 20,231</u>	<u>\$ 52,108</u>	<u>\$ 51,425</u>	<u>\$ 159,452</u>	<u>\$ 283,216</u>
Total Revenues	<u>20,231</u>	<u>52,108</u>	<u>51,425</u>	<u>159,452</u>	<u>283,216</u>
EXPENDITURES					
Student Activities	<u>24,843</u>	<u>48,652</u>	<u>49,527</u>	<u>143,669</u>	<u>266,691</u>
Total expenditures	<u>24,843</u>	<u>48,652</u>	<u>49,527</u>	<u>143,669</u>	<u>266,691</u>
Excess (deficit) of revenues over expenditures	<u>(4,612)</u>	<u>3,456</u>	<u>1,898</u>	<u>15,783</u>	<u>16,525</u>
Due to student groups, July 1, 2014	<u>10,070</u>	<u>34,072</u>	<u>24,384</u>	<u>64,482</u>	<u>133,008</u>
Due to student groups, June 30, 2015	<u><u>\$ 5,458</u></u>	<u><u>\$ 37,528</u></u>	<u><u>\$ 26,282</u></u>	<u><u>\$ 80,265</u></u>	<u><u>\$ 149,533</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO STUDENT GROUPS
LIVINGSTON CENTRAL HIGH SCHOOL
For the Year Ended June 30, 2015

	Cash Balance July 1, 2014	Cash Receipts	Cash Disbursements
District Tournament	\$ 0.00	\$ 10,580.00	\$ 10,543.88
Volleyball	500.60	0.00	0.00
Class A Volleyball	130.16	33.34	163.50
Cardinal Café	84.00	160.00	0.00
Special Olympics	0.00	260.00	260.00
General Fund	2,742.85	7,682.87	7,471.68
PP School Store	284.44	0.00	89.09
Student Emergency	384.96	15.00	0.00
Class "A" Girls Tournament	300.00	4,550.00	4,350.73
Friends of Rachel	68.00	0.00	0.00
Textbook	24,275.55	8,197.00	6,675.34
Library Club	0.00	58.00	0.00
Student Incentives	21.90	5.00	0.00
Donations	1.57	0.00	0.00
Staff Account	632.37	642.44	620.54
FEA	295.00	75.00	0.00
Art Club	914.97	197.00	142.46
Beta Club	2,153.46	816.00	700.12
FBLA	2,281.23	9,268.80	8,639.37
FCA	286.65	1,806.00	1,062.91
FCCLA	94.00	250.00	0.00
FFA	2,436.58	14,587.72	12,721.62
Science Club	300.12	1,889.00	762.69
TLC	1,399.81	836.00	0.00
Spirit Club	419.52	700.00	556.00
Student Council	1,410.92	733.25	678.71
Skills USA	0.57	0.00	0.00
Spanish Club	973.67	386.20	353.70
Agriculture	105.38	0.00	105.38
Choir & Music	51.67	180.00	180.00
Drama	56.80	0.00	0.00
Photography Club	179.00	1,156.00	679.20
STLP	562.23	63.00	446.00
Diesel Mechanics	337.91	0.00	0.00
Family & Consumer Science	740.99	0.00	0.00
Signs	740.58	1,265.00	615.72
Math	104.51	2,908.00	2,280.88
Technology Education	242.29	2,796.00	990.64
LCHS Sportsman Club	433.30	165.00	0.00
Welding	215.22	0.00	0.00
Athletics	1,638.10	33,712.48	28,752.46
Golf	0.00	400.00	0.00
Cheerleaders	1,689.03	8,079.21	9,632.51
Yearbook	17,659.72	24,020.00	27,486.76
Concessions	3,286.74	21,634.77	24,921.51
Baseball	84.00	4,778.00	4,742.00
Scholarship Account	100.00	0.00	0.00
Boys Basketball	791.87	2,000.00	790.00
Cross Country	0.02	1,500.00	78.86
Girls Basketball	628.12	0.00	0.00
Class of 2013	3,124.63	0.00	3,124.63
Class of 2015	4,383.14	820.00	3,285.98
Class of 2016	0.00	5,022.56	3,840.40
Subtotal	<u>79,548.15</u>	<u>174,228.64</u>	<u>167,745.27</u>
Less: Interfund Transfers	0.00	14,478.30	14,478.30
Total	<u>\$ 79,548.15</u>	<u>\$ 159,750.34</u>	<u>\$ 153,266.97</u>

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2015	Accounts Receivable	Accounts Payable	Due to June 30, 2015
District Tournament	\$ 36.12	\$ 0.00	\$ 0.00	\$ 36.12
Volleyball	500.60	0.00	0.00	500.60
Class A Volleyball	0.00	0.00	0.00	0.00
Cardinal Café	244.00	0.00	0.00	244.00
Special Olympics	0.00	0.00	0.00	0.00
General Fund	2,954.04	0.00	626.54	2,327.50
PP School Store	195.35	0.00	0.00	195.35
Student Emergency	399.96	0.00	0.00	399.96
Class "A" Girls Tournament	499.27	0.00	0.00	499.27
Friends of Rachel	68.00	0.00	0.00	68.00
Textbook	25,797.21	0.00	0.00	25,797.21
Library Club	58.00	0.00	0.00	58.00
Student Incentives	26.90	0.00	0.00	26.90
Donations	1.57	0.00	0.00	1.57
Staff Account	654.27	0.00	52.42	601.85
FEA	370.00	0.00	0.00	370.00
Art Club	969.51	0.00	0.00	969.51
Beta Club	2,269.34	0.00	0.00	2,269.34
FBLA	2,910.66	0.00	954.13	1,956.53
FCA	1,029.74	0.00	0.00	1,029.74
FCCLA	344.00	0.00	0.00	344.00
FFA	4,302.68	0.00	1,700.50	2,602.18
Science Club	1,426.43	0.00	0.00	1,426.43
TLC	2,235.81	0.00	0.00	2,235.81
Spirit Club	563.52	0.00	0.00	563.52
Student Council	1,465.46	0.00	0.00	1,465.46
Skills USA	0.57	0.00	0.00	0.57
Spanish Club	1,006.17	0.00	0.00	1,006.17
Agriculture	0.00	0.00	0.00	0.00
Choir & Music	51.67	0.00	0.00	51.67
Drama	56.80	0.00	0.00	56.80
Photography Club	655.80	0.00	0.00	655.80
STLP	179.23	0.00	0.00	179.23
Diesel Mechanics	337.91	0.00	0.00	337.91
Family & Consumer Science	740.99	0.00	0.00	740.99
Signs	1,389.86	0.00	0.00	1,389.86
Math	731.63	0.00	0.00	731.63
Technology Education	2,047.65	0.00	0.00	2,047.65
LCHS Sportsman Club	598.30	0.00	0.00	598.30
Welding	215.22	0.00	0.00	215.22
Athletics	6,598.12	0.00	332.98	6,265.14
Golf	400.00	0.00	0.00	400.00
Cheerleaders	135.73	0.00	0.00	135.73
Yearbook	14,192.96	0.00	0.00	14,192.96
Concessions	0.00	0.00	0.00	0.00
Baseball	120.00	0.00	100.00	20.00
Scholarship Account	100.00	0.00	0.00	100.00
Boys Basketball	2,001.87	0.00	2,000.00	1.87
Cross Country	1,421.16	0.00	0.00	1,421.16
Girls Basketball	628.12	0.00	0.00	628.12
Class of 2013	0.00	0.00	0.00	0.00
Class of 2015	1,917.16	0.00	0.00	1,917.16
Class of 2016	1,182.16	0.00	0.00	1,182.16
Subtotal	86,031.52	0.00	5,766.57	80,264.95
Less: Interfund Transfers	0.00	0.00	0.00	0.00
Total	\$ 86,031.52	\$ 0.00	\$ 5,766.57	\$ 80,264.95

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION-ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2015

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone
ASSETS:				
Cash and cash equivalents	\$ 65,646	\$ 14	\$ 485	\$ 410
TOTAL ASSETS	<u>\$ 65,646</u>	<u>\$ 14</u>	<u>\$ 485</u>	<u>\$ 410</u>
NET POSITION HELD IN TRUST	<u>\$ 65,646</u>	<u>\$ 14</u>	<u>\$ 485</u>	<u>\$ 410</u>

See independent auditor's report and accompanying notes to financial statements

George & Opal Pullen	Robert & Margaret Shelby	Lillian Boswell	Mildred Helton Weider	Ledbetter SBDM	Totals (Memorandum Only)
<u>\$ 17,874</u>	<u>\$ 49,619</u>	<u>\$ 3,744</u>	<u>\$ 100</u>	<u>\$ (166)</u>	<u>\$ 137,726</u>
<u><u>\$ 17,874</u></u>	<u><u>\$ 49,619</u></u>	<u><u>\$ 3,744</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 137,726</u></u>
<u><u>\$ 17,874</u></u>	<u><u>\$ 49,619</u></u>	<u><u>\$ 3,744</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 137,726</u></u>

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2015

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone
REVENUES:				
From local sources:				
Earnings on Investments	\$ 296	\$ 0	\$ 0	\$ 0
Total Revenues	296	0	0	0
EXPENDITURES				
Scholarships paid	1,000	0	250	0
Total expenditures	1,000	0	250	0
Excess (deficit) of revenues over expenditures	(704)	0	(250)	0
Net Position Held in Trust at July 1, 2014	66,350	14	735	410
Net Position Held in Trust at June 30, 2015	<u>\$ 65,646</u>	<u>\$ 14</u>	<u>\$ 485</u>	<u>\$ 410</u>

See independent auditor's report and accompanying notes to financial statements

George & Opal Pullen	Robert & Margaret Shelby	Lillian Boswell	Mildred Helton Weider	Ledbetter SBDM	Totals (Memorandum Only)
<u>\$ 81</u>	<u>\$ 252</u>	<u>\$ 5</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 634</u>
<u>81</u>	<u>252</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>634</u>
<u>250</u>	<u>2,700</u>	<u>250</u>	<u>0</u>	<u>0</u>	<u>4,450</u>
<u>250</u>	<u>2,700</u>	<u>250</u>	<u>0</u>	<u>0</u>	<u>4,450</u>
(169)	(2,448)	(245)	0	0	(3,816)
18,043	52,067	3,989	100	(166)	141,542
<u><u>\$ 17,874</u></u>	<u><u>\$ 49,619</u></u>	<u><u>\$ 3,744</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 137,726</u></u>

LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	3810002-12, 13 & 14	\$ 264,956
Special Education Preschool Grants	84.173	3800002-14	16,509
Total Special Education Cluster			<u>281,465</u>
Title I Grants to Local Educational Agencies	84.010	3100002-12, 13 & 14, 3100202-13	369,646
Improving Teacher Quality State Grants	84.367	3230002-14	69,128
Rural Education	84.358	3140002-13	16,488
Career and Technical Education Basic Grants to States	84.048	3710002-13 & 14, 3710006-14	14,334
Twenty-First Century Community Learning Centers	84.287	3400002-12 & 13	554,744
Race to the Top	84.413	3960002-11	5,135
School Improvement Grants	84.377	3100302-13, 3100301-09 & 13	<u>273,168</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,584,108</u>
<u>U.S. Department of Agriculture:</u>			
Passed through State Dept. of Education:			
National School Lunch Program - cash	10.555	7750002-15 & 14	432,103
National School Lunch Program - donated foods (Note B)	10.555	N/A	35,318
Summer Food Service Program for Children	10.559	7690024-15 & 7740023-15	10,499
School Breakfast Program	10.553	7760005-15 & 14	198,392
Total Child Nutrition Cluster			<u>676,312</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>676,312</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,260,420</u>

See accompanying notes to schedule
of expenditures of federal awards

LIVINGSTON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2015

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Livingston County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2015 is combined with purchased food inventory. The pass-through number for the commodities program was not available for the Schedule of Expenditures of Federal Awards.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 13 of the audit report and in the statement of revenues, expenses, and changes in net position – proprietary funds on page 16 of the audit report:

Total intergovernmental – indirect federal from page 13	\$ 1,610,300
Total federal grants from page 16	640,994
Donated commodities from page 16	35,318
Receipts coded as negative expenditures	1,217
Less: Medicaid funds received	<u>(27,409)</u>
Total on page 54	<u>\$ 2,260,420</u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School District's Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request and Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Livingston County School District's basic financial statements, and have issued my report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Livingston County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Livingston County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in the *Kentucky Public School District's Independent Auditor's Contract*.

I noted certain matters that I reported to management of the Livingston County School District in a separate letter dated November 10, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 10, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

Report on Compliance for Each Major Federal Program

I have audited the Livingston County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Livingston County School District's major federal programs for the year ended June 30, 2015. Livingston County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Livingston County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in the *Kentucky Public School Districts' Independent Auditor's Contract*, including *Appendix I to the Independent Auditor's Contract – Audit Extension Request* and *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Report, Audit Acceptance Statement and Statement of Certification*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livingston County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Livingston County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Livingston County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Livingston County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Livingston County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Benton, Kentucky
November 10, 2015

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of the Livingston County School District.
2. No significant deficiencies or material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Livingston County School District were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Livingston County School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Livingston County School District.
7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster:	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Livingston County School District qualified as a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the current year required to be reported in this schedule.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this schedule.

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2015**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings in the prior year required to be reported in this schedule.

II. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the prior year required to be reported in this schedule.

MANAGEMENT LETTER POINTS

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Kentucky State Committee for School District Audits
and Members of the Board of Education of
Livingston County School District
Smithland, Kentucky

I have audited the financial statements of the Livingston County School District for the year ended June 30, 2015, and have issued my report thereon dated November 10, 2015. In planning and performing my audit of the financial statements of Livingston County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,



Benton, Kentucky
November 10, 2015

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2015

UNCORRECTED PRIOR YEAR COMMENTS

North Livingston Elementary

In the prior year, three activity accounts ended the fiscal year with a deficit balance, which is not allowed per Red Book guidelines. In the current year, there were two activity accounts that ended the fiscal year with a deficit balance. Details and recommendations are included in the current year comments section.

Livingston Central High School

In a random sample of cash receipts in the prior year, we noted that supporting documentation for several receipts could not be located. In the current year, we again noted that supporting documentation could not be located for several cash receipts. Details and recommendations are included in the current year comments section.

CORRECTED PRIOR YEAR COMMENTS

North Livingston Elementary

In the prior year, the cash on the general ledger report activity account grand total did not agree with the cash on the bank reconciliation. The beginning balances in the computer system were adjusted to correct this problem in the current year.

In the prior year, there was a shortage of actual collections from the fundraiser when compared to the receipts that should have been deposited based on the fundraiser sales. There was no fundraiser in the current year.

Livingston Central High School

In the prior year, inventory control worksheets were not prepared correctly. In the current year, the worksheet we tested was calculated correctly and the amount of the overage was not material.

Also in the prior year, we noted that documentation for fundraisers was not adequate to determine if the amount received was reasonable when compared to the items purchased for sale. In the current year, fundraiser deposits appeared to be consistent with expected amounts based on purchases.

In the prior year, we noted that interfund transfer forms were not properly signed. In the current year, forms had two signatures for approval.

CURRENT YEAR COMMENTS

North Livingston Elementary School Activity Fund

Annual Financial Report

The financial report we obtained was run on June 5, 2015 and included activity from July 1, 2014 through June 5, 2015. We attempted to obtain a financial report with activity through the fiscal year end of June 30, 2015, but school personnel could not run the report since the fiscal year had already been closed. We manually added activity from June 5, 2015 through June 30, 2015 to the amounts on the report to obtain actual totals for the fiscal year. In the future, the report should not be printed until all activity for the fiscal year has been entered.

Management's Response:

We will be sure to include reports that are printed after the close of the fiscal year in the future.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2015

CURRENT YEAR COMMENTS (Continued)

North Livingston Elementary School Activity Fund (Continued)

Deficit Balances

Two activity accounts ended the fiscal year with a deficit balance, which is not allowed per Red Book guidelines. We recommend that interfund transfers be authorized in the future so that no fund will end the year with a deficit balance.

Management's Response:

Both of these accounts are now in the black. We will follow Redbook procedures in the future and have no accounts ending with a negative balance.

Cash Receipts Documentation

In a random sample of cash receipts, we noted that the multiple receipt forms for four cash receipt tickets were not properly completed. Some of the forms did not have the treasurer's signature, some did not have the signature of the person remitting the funds, some had no signatures, and some did not have the name of the teacher listed at the top of the form. Also, cash receipt ticket #2523 included receipts from August 8, 2014 and September 2, 2014. Two other receipts did not have any supporting documentation. School personnel should be trained in proper Red Book procedures for cash receipts.

Management's Response:

Occasionally, signatures are overlooked because of not enough time to check everything properly before being filed. We will work to make sure that all signatures are on the forms.

Transfers

No F-SA-10 forms were available for any of the nine transfers made during the year. Although most of the transfers were made to close accounts, the signature of the principal and, if applicable, the activity fund sponsor should be obtained to indicate proper approval of the transfer.

Management's Response:

We failed to document these transfers on paper after they were documented in EPES. In the future we will follow Redbook guidelines on transfers from one account to another.

Cash Disbursements Documentation

In a random sample of cash disbursements, we noted nine checks for which the purchase orders were either not dated or the date was after the date of the purchase, with two of them dated one and a half months after the date on the invoice. We also noted one purchase order that had no signatures indicating approval. A late fee of \$35 was paid on two credit card payments. One credit card disbursement did not have detailed receipts for some of the amounts charged. School personnel should be trained in proper Red Book procedures for cash disbursements, particularly on the use of purchase orders.

Management's Response:

This past year, we have made a concerted effort to get purchase orders for vendors. We will work harder to make sure that all are filled out properly and signed and that purchase orders are completed before the purchase is made on all occasions. The principal has reviewed Redbook procedures with the financial secretary. The two credit card payments were held because we were not able to pay it without making a deficit. Sometimes we may have an invoice on the credit card bill which had been paid from SBDM funds and we may have sent those to the central office with a copy of the bill for payment. By the time we process our part of the credit card and we send the SBDM part to the central office to pay their part, the payment is sometimes late. Perhaps better communication needs to occur between the two parties to keep late charges from accruing. We believe the documentation had been pulled to make copies for a request for payment from central office and not properly filed back. The missing documentation is now present. We will make an effort to be sure any documentation that is pulled out is replaced.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2015

CURRENT YEAR COMMENTS (Continued)

South Livingston Elementary School Activity Fund

Cash Receipts Procedures

In a random sample of cash receipts, we noted two that had no supporting documentation, one multiple receipt form that listed a total only and another multiple receipt form that sixth graders did not sign their own names. School personnel should be trained in proper Red Book procedures for cash receipts.

Management's Response:

School personnel have reviewed Red Book procedures on the KDE website relating to the necessary paperwork needed for cash receipts. The issues found related to donations the school received and/or a classroom fundraiser. For monetary donations received, we will include a copy of F-SA-18, Donation Acceptance Form. For class fundraisers, we will use the fundraiser approval form to provide supporting documentation. Another issue was a failure to have students sign the multiple receipt form. We will make sure that each student from 3rd - 6th grades sign their names instead of the teacher on multiple receipt forms for money collected.

Cash Disbursements Documentation

In a random sample of cash disbursements, we noted nine checks for which there was no amount on the purchase order. Another purchase order was not dated and another disbursement did not have a purchase order. School personnel should be trained in proper Red Book procedures for purchase orders.

Management's Response:

School personnel have reviewed Red Book procedures on the KDE website relating to the necessary paperwork needed for cash disbursements documentation. We will be more attentive to ensure that the purchase orders have an amount listed, or an approximate amount not to exceed, on the purchase orders. We had amounts on the standard invoice, but failed to get an amount on the purchase order. We will also double check to make sure dates are on all purchase orders. We will double check all paperwork to ensure that a purchase order is included before final payment is made.

Livingston County Middle School Activity Fund

Cash Disbursements Documentation

In a random sample of cash disbursements, we noted two checks for which some of the purchase orders did not have a signature to indicate approval.

Management's Response:

We will ensure that we have signatures on all purchase orders indicating approval.

Livingston Central High School Activity Fund

Cash Receipts Procedures

In a random sample of cash receipts, we could not locate supporting documentation for 14 of them, such as multiple receipt forms or copies of checks received. School personnel should be trained in proper Red Book procedures for cash receipts.

Management's Response:

Most of the cash receipts that could not be located were not turned in at the end of the year by an employee who is no longer employed at the school.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2015

Livingston Central High School Activity Fund (Continued)

Cash Disbursements Documentation

In a random sample of cash disbursements, we noted three checks for which the purchase orders either did not list an approved amount, were not dated, or were not signed. School personnel should be trained in the proper Red Book procedures for purchase orders.

Management's Response:

Administration and financial secretary will increase measures to "proof" all purchase orders before approval is given for purchases.

Budget

No budgets could be located for the 2014-15 fiscal year. Budgets should be prepared for each activity and the principal should approve and combine them on forms provided in the Red Book.

Management's Response:

Budgets were completed, but cannot be located at the moment. The usual procedure is to scan the budgets and send to the board office.